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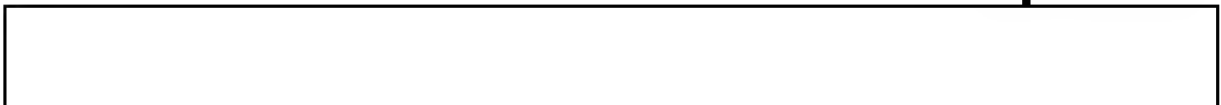


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USSR-SYRIA

The USSR and Syria may not be seeing eye to eye on Middle East negotiations.

Syrian Foreign Minister Khaddam and Defense Minister Talas, who had remained behind in Moscow after President Asad's return to Syria late last week, left Moscow on Wednesday. When they departed, the announcement described their talks as "friendly and businesslike" and "an exchange of opinions."

This language—along with the brevity of the communique on Asad's visit and the failure of either side to publicize the toasts exchanged by General Secretary Brezhnev and Asad—suggests differences.

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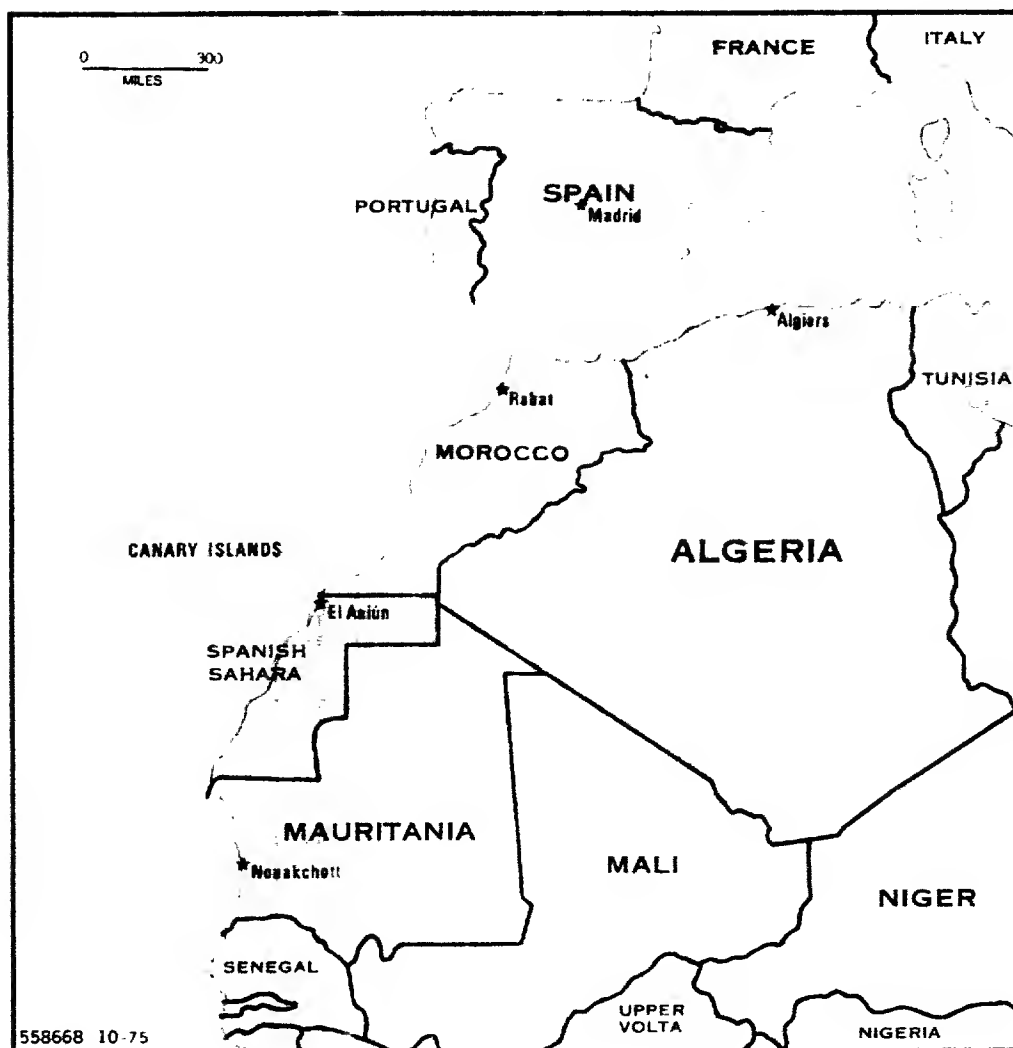
The Soviets are wary of Asad's intentions regarding new Israeli-Syrian disengagement talks, suspecting that he wants their support only to improve his bargaining position before embarking on bilateral negotiations with Israel and the US. Moscow may have sought strong assurances from Asad that it would have a major role in the next round of Middle East diplomacy.

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MOROCCO

In an address to the nation yesterday, King Hassan presented only the positive aspects of the advisory opinion just released by the International Court of Justice on the status of Spanish Sahara.

According to a press summary of the speech, Hassan declared that the opinion showed Morocco's historic legal ties with the Sahara. He thereby ignored the fact that the court noted that these ties neither established territorial sovereignty nor precluded the application of the principle of self-determination in Spanish Sahara. The court's failure to find proof of Morocco's claim of historic sovereignty over the area will give Rabat serious problems in forthcoming UN debates.

Hassan, stating that Moroccans must join their kinsmen, announced he will organize a peaceful mass march by 350,000 unarmed Moroccans into Spanish Sahara. He did not indicate when the march would start, but officials are beginning to recruit volunteers today. In a rousing appeal for national support, the King said he would be the first volunteer and would thus be able to leave a "true crown of patriotism" to posterity.

The King declared that Morocco could not seek the judgment of the court and the UN while at the same time "taking the road to bloodshed." He stressed that Morocco was not declaring war on Spain or seeking a fight with Spanish forces, and he urged Madrid not to use force against unarmed demonstrators. In an apparent reference to Algeria, however, Hassan warned that Moroccans will defend themselves in any encounter with non-Spanish forces.

Spain has not as yet reacted to the King's speech, preferring to key its response to how the march develops. It will try to avoid a confrontation as long as the demonstrators remain peaceful. Madrid almost certainly assumes that some Moroccan soldiers are being infiltrated in the guise of civilians, and it may therefore allow only a small representation far beyond the Moroccan border.

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USSR-FRANCE

The Soviet news agency Tass yesterday issued a report that is almost certainly designed to quiet speculation about the import of the postponement of General Secretary Brezhnev's second meeting with French President Giscard.

Tass stressed that although the talks between the two leaders are not yet completed, they represent a "major new contribution" to relations between the two countries.

The French are also playing down the significance of the postponement. In Kiev, where he spent yesterday sight-seeing, Giscard said that a document on political cooperation to be signed today will further develop detente.

A French diplomat told our embassy that the leaders will hold talks today and will sign several bilateral agreements and the statement on political cooperation. He acknowledged, however, that the statement was still being worked on.

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LEBANON

Beirut was quiet yesterday, and some banks and shops reopened. Tripoli and Zahlah were also calm.

The US embassy in Beirut reports that the upsurge of fighting earlier this week in the eastern suburbs of the capital was clearly traceable to Phalangists who fired into a refugee camp. The Phalangist action, on the eve of the Arab League foreign ministers' conference in Cairo, was probably intended to focus attention on the Palestinian issue.

The foreign ministers' conference ended yesterday without any concrete proposals to end the fighting. The final communique appealed for self-restraint and urged Arab League members to provide Lebanon with financial aid. The absence of Syria and the PLO eliminated any chance the conference might have had to achieve substantial results. Libya also did not attend the conference, possibly fearing that its support for radical elements might become a topic for discussion.

The national reconciliation or dialogue committee has not met for two days, and no schedule has been announced for its resumption. The recently formed political reform subcommittee did meet yesterday, with both leftist Kamal Jumblatt and Phalangist leader Pierre Jumayyil in attendance.

The prospects for any progress by the political subcommittee, however, do not appear good. Interior Minister Shamun, who is not a member, is said to be dissatisfied with the group's composition. In addition, Jumblatt reportedly believes there will be a new round of fighting because the Phalangists are unwilling to give up the status quo and the leftists insist on reforms.

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Lebanese security officials have become increasingly concerned over foreign involvement in the crisis. [REDACTED] the security forces had received reports in late September and early October that Libyan, Algerian, and Iraqi nationals were among the casualties in clashes near Tripoli.

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Earlier this month, information was received that Libyans were renting apartments in the commercial district of Beirut in order to carry out sabotage operations. As a result, Lebanese authorities are now interrogating Japanese, Algerian, Libyan, and Iraqi nationals arriving in Lebanon and refusing entry to those who cannot provide a satisfactory explanation for their visit. [REDACTED]

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ISRAEL

The US embassy in Tel Aviv believes most Israelis are now convinced that the Sinai agreement with Egypt is a positive development. Politicians and public organizations are now turning their attention to a possible new political showdown over negotiations with Syria.

Prime Minister Rabin's stock received a healthy boost as a result of what is generally regarded in Israel as his skillful handling of the Sinai negotiations. According to the embassy, most members of the Labor Alignment have swung from lukewarm support of the Sinai pact to the conviction that Rabin's strategy in pursuing the negotiations has been vindicated. Labor Party Knesset members have been surprised by the intensity of the attacks on Sadat for signing the agreement by radical Arabs and the Palestine Liberation Organization. They have also been pleasantly surprised by Sadat's vigorous defense of his action and are hopeful that this might strengthen Cairo's commitment to a moderate policy.

Israeli hard-liners, led by the opposition Likud and the youth faction of the Labor Alignment's largest coalition partner—the National Religious Party—still oppose the agreement. They argue that while Sadat may have changed his tactics, his anti-Israel strategy remains the same. Many other Israelis remain skeptical of Sadat's ability to carry out the agreement over the continuing objections of Arabs who want him to scrap the pact.

Rabin has stressed that the Sinai agreement represents a significant breakthrough in Arab-Israeli relations. He repeatedly emphasizes Sadat's "realistic approach" in signing it. The Israeli media has highlighted Sadat's defense of the accord, helping justify Cairo's case by giving extensive coverage to Egyptian development needs.

The Israeli military has come out in support of the agreement, with Israel's chief of staff and other senior military officers speaking publicly in its behalf. They argue that although Israel will surrender some territory, the agreement may actually put Israel in a better position to defend itself, largely because the enlarged UN buffer zone and the presence of US technicians reduce the chances of a surprise attack.

Supporters of the Sinai agreement also emphasize the direct US involvement and its effect on improving US-Israeli relations. The government, for instance, has publicly explained the presence of US technicians as the key to ensuring the pact's durability.

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Some Israeli commentators, however, are disturbed by grumbling in Congress and the US press that Washington paid too high a price for the agreement. They fear US supporters of Israel may become alienated if the pact sets a precedent, for instance, for similar US commitments and involvement on the Golan.

There is a widespread expectation in Israel, the embassy reports, that Secretary Kissinger will undertake exploratory talks for Syrian-Israeli negotiations in the near future. The Israelis anticipate that Damascus will modify its current hard-line negotiating position and that Washington will eventually confront Tel Aviv with some painful choices over the Golan.

Rabin probably fueled speculation along these lines when he told an Israeli television interviewer on October 14 that he regards Syrian President Asad's recent trip to Moscow as having a political and strategic importance "of the first order." It is related, he indicated, to reassessments being conducted by both Damascus and Moscow in the wake of the Sinai accord.

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IRAQ-SYRIA

The almost daily propaganda attacks by both countries, including allegations of meddling in the other's internal affairs, have eased since mid-September.

Saudi mediation in the dispute over the apportionment of Euphrates River water and Syria's recall of its armored forces from its eastern border to the Damascus area may have contributed to an improved understanding and lessening of tensions. Syrian Defense Minister Talas also recently proposed an "eastern front" that should include Syria, Jordan, and Lebanon as well as the Palestinians, Iraq, and any other Arab states that could send forces.

The Syrian proposal parallels an earlier Iraqi statement that Baghdad is willing to support an eastern front against Israel, provided future fighting is directed at liberating Palestine.

Baghdad may be receptive to such Syrian overtures, in light of the fact that the tone of recent Iraqi propaganda has been perfunctory and half-hearted as compared to two months ago. A further inducement to Iraq is an unpublicized increase in the water level in the lower Euphrates River, reportedly for the first time in three seasons, which will allow a bumper rice crop harvest. Although the political rivalry between the two Baathist regimes is not likely to cease, Syria's hardening of its negotiating position against Israel could provide a common point for at least military cooperation.

Should Baghdad agree to an eventual compromise, its military and economic participation in an eastern front facing Israel would significantly improve President Asad's negotiating position in the Golan area.

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CIA does not believe that the reported leveling off of propaganda attacks since mid-September between Damascus and Baghdad reflects an "improved understanding" between the countries. The decrease in Syrian propaganda against Baghdad appears to be related more to Damascus' preoccupation with the second Sinai agreement than to improve bilateral ties.

Iraqi blasts against Damascus have not ended, but they have been perfunctory in the past few weeks, according to the US interest section in Baghdad. A notable exception, which severely castigated Syria's "fake opposition" to the Sinai accords,

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was published in the official government organ *Al Jumhuriyah* on October 14. The article predicted that Syria would follow the "capitulationist" path by emulating Egypt in signing an interim agreement with Israel.

The Euphrates water dispute, moreover, has by no means been settled. Despite Saudi mediation, the two sides have not reached a formal agreement on sharing the water. A meeting to discuss the Euphrates problem—scheduled for early September in Saudi Arabia—was never held, apparently because the Saudis despaired of bridging the gap between the two divergent positions.

CIA's reading of Iraq's proposal early last month for an eastern front is that it was not serious but was, rather, intended to put Damascus on the spot.

The strains in Syrian-Iraqi relations are founded in the deep and abiding rivalry between the two Baathist regimes. We have noted no change in the personal antagonism between Iraqi and Syrian leaders that fuels the quarrel and expect that it will not be long before bitter rhetorical exchanges resume.

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ETHIOPIA

In the face of mounting unrest, the ruling military council has in recent weeks increasingly resorted to repression against its opponents and suspected dissidents.

The council has carried out widespread arrests throughout Ethiopia since declaring a state of emergency in Addis Ababa last month in an attempt to put an end to a strike by workers protesting the council's policies. The proclamation suspended most civil rights and gave the security forces almost unlimited powers of search and seizure, including the right to shoot anyone violating the ban on strikes. Security forces have encountered some armed resistance during the arrest process.

Workers considered to be instigators of the strike have been arrested and beaten, and some reportedly shot. The authorities have concentrated particular attention on rounding up leaders of the Confederation of Ethiopian Labor Unions, the country's central labor organization, who signed an anti-council resolution in September.

Only a few of the other persons arrested are believed to have been involved in actual criminal acts—such as the bombing last week of the Addis Ababa telecommunications station. Most are vaguely suspected of being disloyal to the council or of having participated in the short-lived strike.

In Eritrea Province, the government has intensified its use of harsh and indiscriminate measures against the civilian population in retaliation for assassinations by insurgents. On October 12, an army officer and two bank officials were killed in Asmara, reportedly by rebel assassins. Radio Asmara shortly afterward broadcast a warning that the government was prepared to take whatever steps were necessary to maintain the territorial integrity of Ethiopia, even if it meant the slaughter of all Eritreans who support the rebels. The broadcast also incited security forces to retaliate for the rebel assassinations.

Members of the "joint command," a government terrorist force which operates in civilian clothes, soon afterward began to kill Asmara residents at random. Members of the force burst into three crowded bars and opened fire with automatic weapons. There were also scattered executions of individuals. Total casualties that afternoon reportedly were 31 killed and 40 wounded. The "joint command" is also believed responsible for numerous other arbitrary killings during recent months.

Security forces have also arrested a large number of persons in Asmara in recent weeks. Like most of the detentions in Addis Ababa, the arrests largely appear to be arbitrary and designed to intimidate the local population.

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The government's blunt announcement of its intention to take strong action against Eritrean civilians, besides giving official approval to the activities of the joint command, will almost certainly encourage undisciplined troops to continue harassing civilians. Government soldiers have frequently taken revenge on villagers after suffering a setback at the hands of the rebels.

The government is attempting to deny food to the Eritrean rebels by making available only marginal amounts through rationing and rigid distribution controls. These measures have created a critical food situation in the province. The government in June suspended the distribution of relief supplies to villagers dislocated by the fighting.

According to official government announcements, the security forces since October 1 have killed at least 83 persons and arrested numerous others for participating in rebellions in other provinces. The government, however, still faces a critical security situation in several provinces because of continuing insurrections.

The council's repressive measures have alienated influential segments of the population. The disaffection of students, leftists, and intellectuals—together with the lack of support from Ethiopia's traditional, conservative elements—leaves the council almost solely dependent on the armed forces for its survival. There is already serious unhappiness with the council within the military, and a growing awareness that the use of the security forces against the various insurrections is draining Ethiopia's financial resources and weakening its defense against external threats. A continuation of the council's divisive policies seems likely eventually to arouse a more organized and active military opposition.

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PORTUGAL

Prime Minister Azevedo's speech to the nation on October 13 emphasized the country's enormous economic problems, in particular the balance-of-payments crisis.

The trade deficit will total almost \$2 billion again this year, despite the import surcharge imposed last May. Many essentials supplied the Angolan refugees entering Portugal will have to be imported at the same time that domestic economic difficulties are hurting exports. Meanwhile, earnings from tourism are down sharply, private investment inflows have almost ceased, and remittances from Portuguese working abroad are stagnating.

Without foreign assistance, the 1975 balance-of-payments deficit would likely reach \$1.1 billion. Foreign exchange reserves would be exhausted by year-end, although Portugal still would have gold reserves worth about \$4 billion at the current market price.

Lisbon's immediate aim is to try to obtain funds from the International Monetary Fund and the Bank for International Settlements. Only \$50 million remain to be drawn down on a loan from the Bank for International Settlements. Portugal has already drawn down most of its automatic credits at the IMF. It will continue to press—with EC support—for additional funds. Such borrowing could cut this year's payments deficit to about \$950 million. Foreign exchange reserves would then probably last until January 1976.

Over the medium term, Lisbon will look to the US and the EC for credits and use its large gold reserves as collateral for loans from US and European private banks. A gold pledge amendment is being negotiated for a \$150-million loan from a consortium led by a London financial institution, although its insistence on actual possession of the gold, and the right to sell it if necessary, is causing difficulty.

For its part, the EC will provide Portugal with about \$175 million from the European Investment Bank over a period of two years for specific projects. The Nine will guarantee the loan and assume the costs of a 3-percent interest rate subsidy, which adds approximately \$35 million to the cost of the program. Two million dollars in direct food aid will also be provided as part of the Community's disaster relief effort for the Angolan refugees.

The EC is trying to expedite the flow of aid, but funds cannot be transferred until individual projects are approved, and this is not expected until mid-1976 at the earliest. EC Commission and European Investment Bank teams will travel to Portugal to help prepare appropriate projects.

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According to World Bank officials, Lisbon has already developed many worthwhile projects. The officials maintain that the recent political upheavals have only marginally disrupted the work of a large number of competent middle-level Portuguese technicians.

The EC will also set up a committee to monitor and coordinate the aid commitments of its individual members with Portugal. Most of these funds will flow into agricultural and industrial projects, with housing and construction receiving the highest priority.

The West Germans have already committed some \$28 million in low-interest loans to be used for investment in small and medium-size enterprises and for Angolan refugee assistance. The Netherlands and Denmark are also expected to provide aid, with The Hague expected to give \$6.5 million.

These measures are seen as only a first step in offsetting Portugal's acute balance-of-payments problem. Lisbon looks to a more liberal EC trade policy as a more effective long-term solution. Negotiations should begin before the end of the year on the "evolutionary clause" of the 1973 preferential trade agreement between Portugal and the Community. The EC Commission has suggested a variety of approaches which include an across-the-board reduction of tariffs on Portuguese goods, extending preferential treatment for agricultural products, improving benefits under the Community's generalized system of trade preferences, and providing about \$400 million in loans under a new financial protocol.

The foreign ministers of the Nine meet in December to set specific guidelines for these negotiations. Deliberations on the size of the financial protocol, and EC willingness to accept increased exports of Portuguese wine and textiles, will sorely test the Community's resolve to assist Portugal.

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ITALY

Prime Minister Moro's fragile government is threatened by problems that have developed in its negotiations with the federation that represents Italy's three major labor organizations.

The government and the labor federation have been trying to agree on guidelines for the renewal this year of contracts involving a quarter of the country's work force. Until now, the federation leadership has been inclined to go along with the government in stressing job security rather than excessive wage demands that could undercut economic recovery efforts.

Several major unions that are not affiliated with the federation, however, have been going on strike to protest the prospect of limited wage hikes. This action has caused discontent among the rank and file in the federation and has led the leadership to push for wage increases well in excess of the government's proposed 10-percent ceiling, especially for certain public sector employees.

Moro is thus finding it more difficult to reach a compromise that will satisfy both sides in the negotiations. Deputy Prime Minister La Malfa, a Republican, has threatened to resign—he has frequently done so in the past—if the government agrees to wage hikes that could jeopardize recovery by substantially reducing the funds available for investment. On the other hand, the Socialists—whose parliamentary support is crucial to Moro's survival—might desert the government if labor comes out of the talks unsatisfied.

The chief factor favoring Moro is the absence of intraparty agreement on how to replace him—the same situation that has kept his "interim" government afloat for close to a year. Most politicians still see Moro's government as a convenient device that affords them further time to sort out their options in the aftermath of the Communists' electoral success last June and to lay the groundwork for the parliamentary election in 1977. The collapse of the government in present circumstances would probably produce an impasse that could encourage some political leaders to urge that the elections be held ahead of schedule.

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UK-BELIZE

British officials are concerned about the possibility of a Guatemalan invasion of Belize. London has just strengthened the nearly 600-man British garrison there.

On Sunday, three British troop-carrying helicopters and eight rubber assault boats, accompanied by about 50 support and maintenance personnel, arrived in Belize. An additional 150 troops will probably arrive soon.

The local British commander, who has been worried about the colony's vulnerability to a surprise Guatemalan attack, has bolstered his forces in southern Belize, the apparent objective of Guatemalan military planners. The commander believes increased jungle patrols have reduced the chances of a surprise attack.

London has a frigate on station within a day's sailing of Punta Gorda, the only port in southern Belize, and plans a number of port calls to remind the Guatemalans of the presence of the British navy. The Guatemalans recently increased their naval forces in waters near Belize to a total of nine patrol craft and one medium landing craft. They are aware of the reinforcements the British made on Sunday.

Guatemalan officials are discouraged and bitter about their chances of getting a UN resolution acceptable to them. They believe that the British are not pressing for a resolution that accommodates Guatemalan interests, and that the US is indifferent to their problem. Guatemala wants Washington's backing in the UN and, by talking of invasion plans, is trying to scare the US into playing a role as a mediator. Although most Guatemalan policymakers want to avoid going to war over the issue, there are some, especially in the military, who feel that if things go wrong in the UN the only way to preserve Guatemalan dignity is through military action.

The British believe that independence for Belize is long overdue. Self-government was granted 12 years ago, and full independence would have come shortly thereafter were it not for the dispute with Guatemala.

London has rejected a Guatemalan suggestion that the dispute be submitted to the International Court of Justice. The British reason that:

- The court proceedings would be as tedious and protracted as the current tripartite negotiations.
- The composition of the court militates against an objective decision.
- The government of Belize opposes court adjudication.

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ARGENTINA

President Maria Estela Peron's resumption of her duties, in the face of opposition from several powerful sectors, is likely to intensify the country's political and economic crisis. Leftist terrorist groups already have threatened serious violence during a Peronist rally scheduled for today, and there are rumors that US citizens will be included among the targets.

Many middle-of-the-road political and union leaders had joined the military high command in pressing the President to extend her leave of absence. They believed that the governing team of Acting President Luder, Interior Minister Robledo, and Economy Minister Cafiero was making progress in bolstering the economy and in countering terrorism.

Other Peronists, however, particularly those conservative labor bosses who have staked their political future on her retention of the presidency, urged her return. Their support reinforced Peron's own stubborn determination to continue her husband's work, despite the physical and emotional toll of the job.

The forces arrayed against the President could have prevented her return. They chose not to, however, because she is the legitimate president, and most Argentines still prefer a constitutional solution to their leadership crisis. This sentiment, though steadily eroding, was strong enough to convince military leaders to give up their efforts to keep her away from Buenos Aires. They have apparently decided again to stand aside and allow her government to fall victim to its own incompetence. Then, they undoubtedly reason, public disenchantment will create a situation amenable to more direct military intervention in politics.

Peron's acceptance of the role of a merely ceremonial head of state is crucial to her survival. If she listens to the high command and allows Robledo and Cafiero a free hand, her government could limp along for several more months, with the military staying on the sidelines. If she insists on trying to rule as well as reign, the best she can expect will be another period of enforced rest away from the capital.

According to a US embassy source, Robledo is attempting to keep Peron out of the way by sending her to address the UN. He also plans to ask the US government soon to invite her to Washington and the White House.

Cafiero's emergency economic program is another key to her survival. He has acquired significant foreign assistance and has adopted reasonable, gradual measures at home that may succeed if he is able to fend off the wage demands that the unions may make.

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USSR-CHINA

Moscow has finally responded to the anti-Soviet speech Vice Premier Chen Hsi-lien made two weeks ago at the 20th anniversary celebrations of the Sinkiang Uighur Autonomous Region.

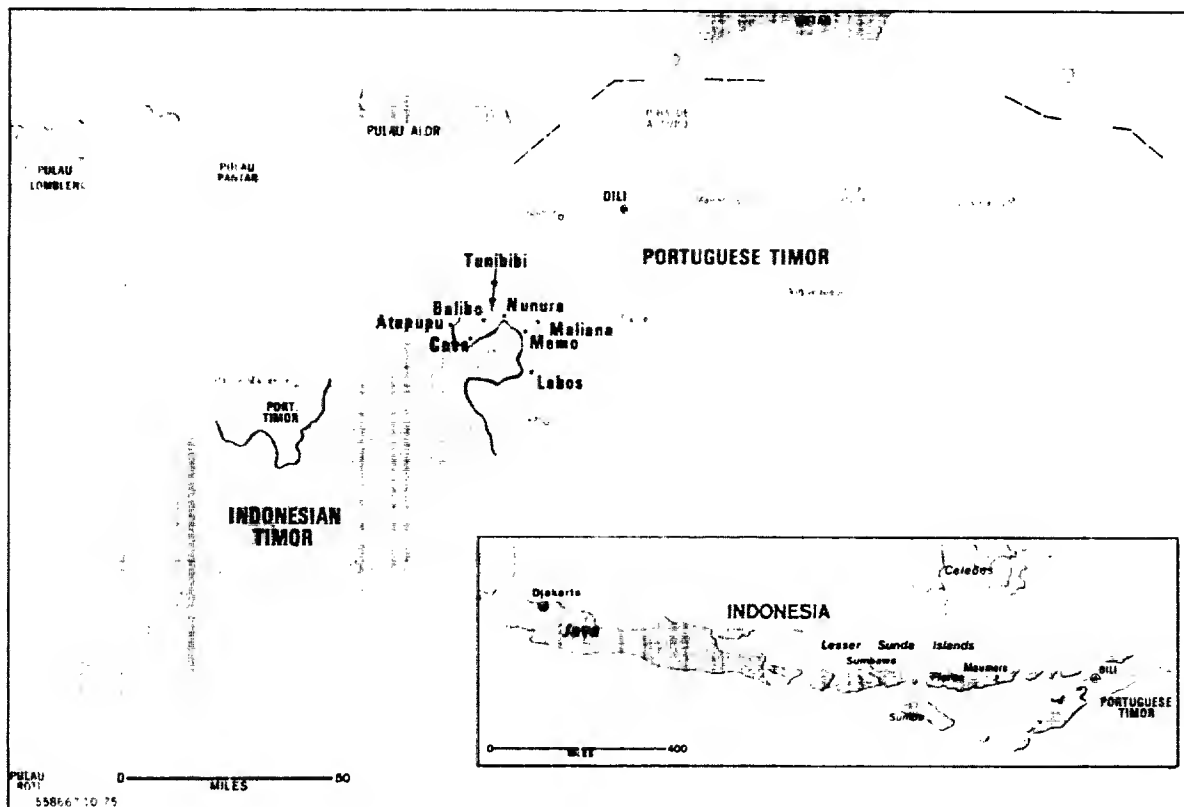
Chen had congratulated Sinkiang for its past victories in "smashing" Soviet aggression and subversion and warned of the continuing need to maintain vigilance against both the possibility of a Soviet surprise attack and Soviet attempts to foment dissension among the minorities. This was the first time in recent months that a ranking Chinese official had explicitly raised the possibility of a Soviet attack on China.

Pravda on October 15 carried an article lambasting China's policies on minorities—particularly its suppression of minority religions—and again reminding Soviet readers of the physical threat China poses to the USSR. The charge that the Chinese are suppressing minority religions suggests the Soviets believe that one reason Chen went to Sinkiang was because of a religious problem there causing trouble for Peking. *Pravda's* implication that China poses a threat to the USSR is a logical counter to Chen's anti-Soviet remarks.

Moscow's delay in responding to Chen's trip to Sinkiang suggests the Soviets at first were uncertain as to precisely what the visit signified. Chen was the commander of the Shenyang Military Region when the first armed clashes took place along the Sino-Soviet border in March 1969. The Soviets may initially have felt that the trip to Sinkiang—his first publicized visit to a border area since he moved to Peking in 1974—was intended as a signal to them of a more aggressive Chinese posture along the border.

The Soviets long have felt that the danger of trouble along the border increases proportionately with the level of political tension in Peking. On September 21, a Soviet China-watcher, commenting on the current "Water Margin" campaign in China, warned publicly of the need for vigilance and caution because it was during times of instability in China that the Maoist leadership in the past had resorted to "new attacks against peace and security."

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INDONESIA-TIMOR

Fretilin authorities in Dili have announced that Indonesian forces attacked six towns along the Portuguese Timor border yesterday. The attacks reportedly were supported by artillery and mortars.

Fretilin claims that the attacks were repulsed, [REDACTED]

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[REDACTED] This apparent simultaneous assault [REDACTED] is probably the first phase of an Indonesian plan gradually to take territory along the border for use as military enclaves from which special forces units can hit Fretilin.

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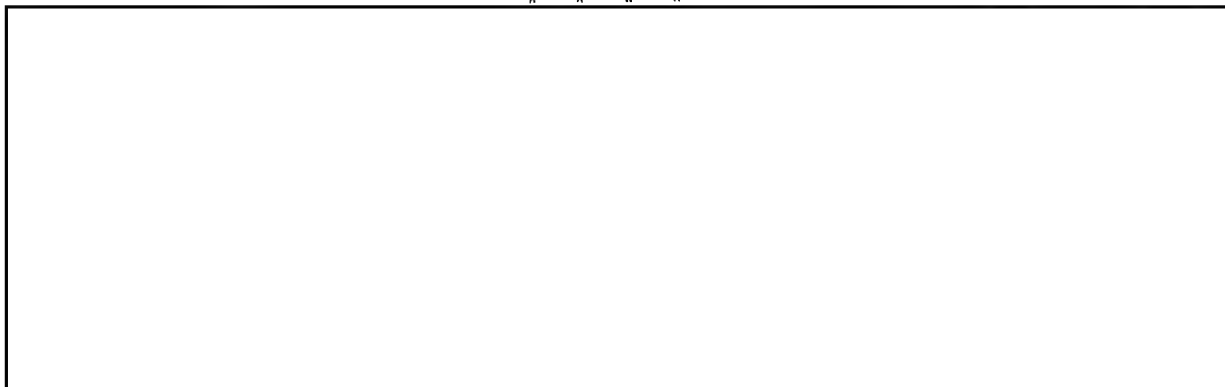
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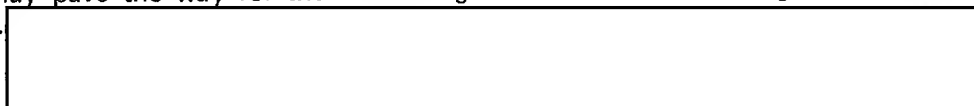
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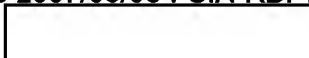
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ICELAND: West Germany lifted its ban on imports of Icelandic fish yesterday, opening the way for talks on October 28 in Reykjavik on a new fisheries agreement. Negotiations are likely to be difficult and prolonged. Reykjavik wants to eliminate large factory and freezer trawlers, which make up the bulk of the West German fleet, from the new 200-mile fishing limit zone. In addition, the Icelanders are demanding that Bonn stop blocking an EC-Iceland tariff agreement. Renewal of the talks with Bonn may pave the way for the scheduling of another round of negotiations with the UK.

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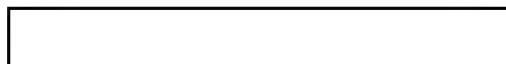


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